

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JUNE 29, 2010 — except where noted



ALAN ZEPP
Risk Management Program Coordinator
717-420-7448
azepp@centerfordairyexcellence.org
dairyexcellence.org

Inventories

This week's graph (below right) shows inventories of cheese and butter reported by USDA. The top line in the graph shows that natural cheese stocks in May were at their highest level since January 2000. The bottom line shows the normal seasonal swing in butter inventories, as well as the lower current level of butter stocks.

According to the latest USDA "Cold Storage" report published on June 22, butter stocks were up 3% from last month, but down 16% from a year ago. This means butter stocks in all warehouses dropped from 253.3 million pounds in May 2009 to 211.3 million pounds in May 2010.

The report also shows that total natural cheese inventories increased almost 5% in the past year from 970.3 million lbs. in May 2009 to 1.018 billion lbs. in May 2010. The change in inventories has driven butter prices up almost 20 cents per pound, while cheese has dropped 5 cents since January 2010.

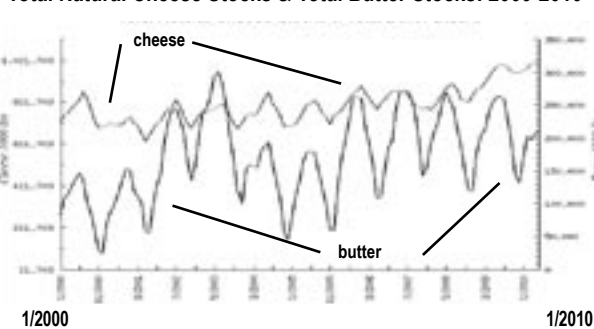
Cheese and butter produced during flush production periods must be stored until sold. Large inventories of any commodity create a reserve supply that usually keeps prices stable until those inventories are reduced. Why would any commodity buyer worry about running out of (or paying more for) cheese, corn or anything else when he thinks there will be plenty of cheese or corn available at a similar price when he needs it in the future?

Prices change daily. This market information is an example for educational purposes. The market data below are compiled weekly by Farmshine, using CME and USDA reports and the CDE Scorecard.

Joe Dairyman may buy hay in the fall of a dry year to guarantee his feed supply in the spring just like a pizza manufacturer may buy cheese several months ahead to guarantee his cheese supply for the next year. When inventories are higher there is usually no incentive to buy ahead or bid a higher price.

Report your acreage for spring planted crops to your crop insurance agent before the July 15, 2010 deadline. I welcome any suggestions or comments. For more information, visit www.centerfordairyexcellence.org.

Total Natural Cheese Stocks & Total Butter Stocks: 2000-2010



CME DAILY FUTURES & OPTIONS TRADING — JUNE 29, 2010 CLOSE

JUN-10	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11
CLASS III MILK FUTURES (\$/CWT)											
13.62	13.41	13.87	14.60	14.70	14.60	14.54	14.40	14.40	14.37	14.24	14.32

WEEK AGO											
13.56	13.18	13.57	14.25	14.52	14.53	14.45	14.45	14.47	14.45	14.50	14.50

HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED											
19.20 7/08	19.20 7/08	18.00 9/08	17.20 10/08	16.26 1/10	16.03 12/09	16.05 12/09	16.33 7/09	16.25 7/09	16.00 7/09	16.24 7/09	16.24 7/09
13.12 4/10	13.18 6/10	13.57 6/10	14.25 6/10	14.36 3/10	14.40 3/10	14.30 3/10	13.90 3/10	13.93 3/10	14.14 3/10	14.06 3/10	14.30 6/10

MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)												
PA	2.63	2.61	2.38	2.37	2.87	3.19	3.01	3.40	3.19	3.32	1.94	2.23
NY	1.57	1.61	1.44	1.39	1.79	2.17	1.97	2.32	2.11	2.32	1.04	1.43
VT	1.69	1.71	1.44	1.53	1.99	2.27	1.99	2.38	2.15	2.42	1.10	1.39
NJ	1.43	1.41	1.18	1.17	1.67	1.99	1.81	2.20	1.99	2.12	0.74	1.03
DE	2.05	2.03	1.80	1.79	2.29	2.61	2.43	2.82	2.61	2.74	1.36	1.65
MD	2.01	1.99	1.76	1.75	2.25	2.57	2.39	2.78	2.57	2.70	1.32	1.61
OH	1.51	1.63	1.26	1.33	1.91	2.31	2.23	2.32	2.15	2.34	0.98	1.25
WV	1.45	1.43	1.20	1.19	1.69	2.01	1.83	2.22	2.01	2.14	0.76	1.05

MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Tues., June 22, 2010; *June & July* based on CI IV as CI I "mover"											
0.00	*0.00*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium											
13.50 0.00	13.25 0.09	13.75 0.31	14.50 0.54	14.50 0.59	14.50 0.65	14.50 0.74	14.25 0.74	14.25 0.79	14.25 0.85	14.00 0.83	14.25 0.97

SEP-10				DEC-10				MAR-11				MAY-11			
CORN (\$/BU) OPTIONS — CALLS															
2.30	1.034	2.40	1.043	2.50	1.085	2.60	1.085	Example Daily Strike Price / Premium				SOYMEAL (\$/TON) OPTIONS — CALLS			
2.70	0.635	2.80	0.664	3.00	0.641	3.10	0.664	250	31.25	240	34.05	230	38.15	230	39.45
3.00	0.372	3.40	0.263	3.60	0.292	3.70	0.330	260	21.95	250	25.05	250	22.10	250	25.10
3.35	0.154	3.90	0.112	4.40	0.105	4.60	0.117	280	7.60	270	12.40	270	11.65	270	14.95
								300	1.95	320	1.55	330	1.55	360	1.65

CORN FUTURES (\$/BU)											
JUL-10	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	MAR-12	MAY-12	JUL-12	SEP-12
3.250	3.332	3.440	3.574	3.670	3.752	3.792	3.832	3.934	4.004	4.062	3.986
WEEK AGO											
3.514	3.610	3.720	3.850	3.936	4.016	4.024	4.034	4.136	4.206	4.264	4.190

SOYMEAL FUTURES (\$/TON)											
JUL-10	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11	JUL-11	AUG-11	SEP-11	OCT-11
289.8	280.8	272.2	266.0	265.8	265.6	266.6	266.3	268.0	266.4	262.9	258.9
WEEK AGO											
290.7	283.9	276.1	267.9	266.9	267.5	267.7	266.3	267.8	266.5	264.0	260.0

* = NEW MILK MARGIN — LATEST PSU VALUES — MAY 2010				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 06/29/10								SPOT CASH									
FEED COST		IOFC (\$/COW @ 65 lbs milk)		PA MILK MARGIN (\$/CWT milk)		JUN	JUL	AUG	SEP	OCT	NOV	DEC	06/29/10	06/29/10							
(Now based on \$/CWT milk)								NFDM	1.280	1.217	1.180	1.175	1.177	1.170	1.170	1.2400					
CURRENT				7.28				11.20				WHEY		0.370	0.360	0.346	0.350	0.350	0.350	0.350	N/A
PREV MO				7.05				10.84				BUTTER		1.592	1.697	1.710	1.710	1.715	1.705	1.670	1.7200
YR AGO				4.36				6.70				CME SPOT CHEESE:		40 LB BLOCKS 1.4025 / BARRELS 1.3775							

* = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)						CURRENT FEDERAL ORDER VALUES (\$/LB)					
CL I ADV	CL II	CL III	CL IV	ALL-MILK U.S.	ALL-MILK PA	WEIGHTED AVERAGE JUNE 1-11, 2010		MAY 2010			
15.66 (JUL)	14.90 (MAY)	13.38 (MAY)	15.29 (MAY)	15.00 (MAY)	16.60 (MAY)	PRODUCT	VALUE	MAKEA003	NET	COMPONENTS	
MONTH AGO						CHEESE	1.4726	0.2000	1.2723	PROT 2.1523	
YEAR AGO						BUTTER	1.5620	0.1715	1.3905	B.FAT 1.7058	
						NFDM	1.3037	0.1678	1.1359	N.FAT 1.0734	
10.26	10.71	9.84	10.14	11.60	13.40	DRY WHEY	0.3698	0.1991	0.1707	OTHER 0.1704	

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales June 23, 2010 at New Holland, PA)																													
COWS: Fresh			Bred			Springing			HEIFERS: Bred			Springing			Open: 300-600 lbs			600-900 lbs			900-1200 lbs			BULLS (600-1200 lb)					
1425			N/A			1025			1125			1200			N/A			745			N/A			705					
FOUR WEEK AVG																													
1360			1100			1090			1185			1265			560			775			895			800					
Avg. of prices reported by USDA Market News for PA Auction Markets June 24-29, 2010												FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)																	
CULL MARKET COWS (\$/CWT LIVELWEIGHT)												CURRENT																	
Premium White			Breakers			Boners			Lean			Choice & Prime 1250-1550 lbs			82.35			WK AGO			81.75			YR AGO			72.50		
64.85			61.60			59.10			55.85			BULL CALVES: No. 1 & 2, 90-130 lbs			117.00			117.00			117.00			73.50					
WEEK AGO												80- 90 lbs																	
64.25			60.10			57.10			54.10			66.00			67.00			67.00			40.00								
YEAR AGO																													
56.50			53.85			51.00			48.25																				

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